

Legislative Fiscal Analyst

Issue Brief: Overview of Internal Service Funds (ISFs)

2014 General Session

Summary

Internal Service Funds (ISF) employ business practices to provide a service or product for other state and governmental agencies. Typical services include motor pools, information technology, mail processing, facility management, or other large functions that can be centrally coordinated. They are set up to take advantage of economies of scale, to avoid duplication of efforts and to provide an accounting mechanism to adequately identify the costs of certain governmental services.

In order to control the size, mission and fees charged to state agencies, the Legislature imposed statutory controls ([UCA 63J-1-410](#)) that require ISFs to respond to the legislative budget process. No ISF can bill another agency for its services unless the Legislature has:

- Approved the ISF's budget request;
- Approved the ISF's rates, fees, and other charges, and included those rates and fees in an appropriations act;
- Approved the number of FTE as part of the annual appropriation process;
- Appropriated the ISF's estimated revenue based upon the rates and fee structure.

No capital acquisitions can be made by an ISF without legislative approval. No capital assets can be transferred to an ISF without legislative approval.

Working capital should come from the following sources in priority order: operating revenues; long-term debt; legislative appropriations. General Fund borrowing occurs when an agency needs cash to purchase assets to carry out its business. Examples include photocopiers and vehicles. These assets are depreciated and charged to customer agencies through the ISF's rates. Although the Legislature has expressed a preference for capitalizing assets through operating funds, borrowing from the General Fund is allowed as long as the debt is repaid over the useful life of the asset and borrowing does not exceed 90 percent of the ISF's capital assets.

DTS and DAS Internal Service Fund Line Items

DTS operates the Division Enterprise Technology (DET) ISF and DAS operates five ISFs that are funded by rates charged to state agencies, higher education, and local governments. The DAS ISFs are as follows:

- Finance – Consolidated Budget And Accounting
- Purchasing and General Services
- Fleet Operations
- Risk Management
- Facilities Maintenance